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UNCLAS SECTION 01 OF 02 ABUJA 002077

SENSITIVE
SIPDIS

DEPARTMENT PASS TO USTR (AGAMA)
DEPT OF TREASURY FOR RHALL, DPETERS
DOC FOR 3317/ITA/OA/KBURRESS AND 3130/USFC/OIO/ANESA/DHARRIS
USDA/FAS/OFSO RON VERDONK

E.O. 12598: N/A
TAGS: [ECON](#) [EINV](#) [ENRG](#) [ETRD](#) [PGOV](#) [PREL](#) [NI](#)
SUBJECT: NIGERIA: FLOUR INDUSTRY GROWING

REF: 07 ABUJA 2191

SENSITIVE BUT UNCLASSIFIED - PROTECT ACCORDINGLY

¶1. (SBU) Summary. In an October 15 meeting with Aminu Abdulqadir Imam, Chief Administrative Officer of Bua Flour Mills, Imam reported that the flour milling business is very lucrative in Nigeria because domestic flour demand has grown. Despite profits production hurdles, such as epileptic power, limit growth and increasing employment. The electricity supply to Kano has not improved since 2007 and may have gotten worse. Bua Flour Mills plans to export to the U.S. woodcarvings, handicrafts and leather goods instead of food products because infrastructure issues make it impossible to export Nigerian food products to the U.S. and European markets. End Summary.

¶2. (SBU) On October 15, EconDep met with Aminu Abdulqadir Imam, Chief Administrative Officer of Bua Flour Mills Ltd based in Kano. Bua Flour Mills is part of the Bua conglomerate, which is headed by CEO Abdussamado Rabi. Rabi is the son of famous muslim scholar and businessman Isyaku Rabi. The Rabi family is one of the oldest and largest northern industrialist families. (Note: Imam is the son-in-law of Abdussamado Rabi. End Note). Bua imports large quantities of U.S. wheat for local processing into bread products, and pasta. The company processes flour, sugar and edible oils. The meeting was in follow up to meetings in 2007 regarding business conditions in Kano (reftel).

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Kano Business Environment Still Difficult

¶3. (SBU) In response to a question on the business environment for his company and others in the Kano area, Imam noted that the flour industry has limited capacity and can not meet domestic demand. (Comment: Despite Imam's claim, Nigeria's milling capacity is nearly double the supply of wheat - 6 million mt of milling capacity versus 3.5 million mt of consumption per year. End Comment). Production is constrained by the need for generators to operate 24 hours a day - seven days a week to run the production facilities. When asked whether the reliability and supply of electricity had improved since September 2007, Imam responded that it had not and the frequent power surges damaged equipment. Imam reported that despite the power issues Bua Flour's profits were high and the company planned to expand production from 500 metric tons (mt) per day to 1,000-1,500 a day.

¶4. (SBU) When asked whether local officials had been useful to the company's growth, he said that the Kano Chamber of Commerce was a "joke" and no help. Imam explained that the Chamber had done nothing since EconDep met with them in September 2007, despite their promises at that time.

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USG Support Appreciated

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15. (SBU) Imam thanked the U.S. Mission for providing a list of AGOA eligible products for importation to the U.S. and added that his team had studied them and planned to export to the U.S. handicrafts, woodcarvings, leather products including shoes and bags. He also thanked USAID for its technical assistance programs that have been useful in better understanding the cowpeas and rice industries.

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Exports to U.S. and European Markets Not Viable
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16. (SBU) He hoped that the Nigerian Export Promotion Council (NEPC) could provide assistance, despite past lukewarm experiences with them. He lamented that the poor state of Nigeria's infrastructure makes it impossible for Bua to export food products to compete in the U.S. and European markets. Currently, Bua is exporting flour and other food products to Niger, but this is done via informal middlemen. Imam said that Bua hopes to make this a formal trade via NEPC assistance.

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Other Bua Holdings

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17. (SBU) Regarding other Bua businesses, Imam reported that CEO Rabiou had "special" connections to the Presidency and the company holds semi-exclusive licenses to import cement and sugar. (Note: the prices for cement and sugar are artificially high in Nigeria because domestic production is low and these products may only be imported by companies with "special" licenses. End Note). He

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indicated that Bua had plans to open a rice mill in the "Sharada" industrial area of Kano because the company had been granted a federal government concession to import tariff free rice from Thailand. (Note: In September 2008 the GON reduced tariffs from 109% to 30% for milled rice and 5% on brown rice. End Note).

SANDERS